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FM AMEMBASSY CARACAS  
TO RUEHC/SECSTATE WASHDC 3381  
INFO RUEHHH/OPEC COLLECTIVE  
RUEHAC/AMEMBASSY ASUNCION 1026  
RUEHBO/AMEMBASSY BOGOTA 8022  
RUEHBR/AMEMBASSY BRASILIA 6167  
RUEHLP/AMEMBASSY LA PAZ 2919  
RUEHPE/AMEMBASSY LIMA 1200  
RUEHSP/AMEMBASSY PORT OF SPAIN 3741  
RUEHQT/AMEMBASSY QUITO 3014  
RUEHSG/AMEMBASSY SANTIAGO 4144  
RUEHDG/AMEMBASSY SANTO DOMINGO 0672  
RHEHNSC/NSC WASHDC  
RHEHAAA/WHITEHOUSE WASHDC  
RHEBAAA/DEPT OF ENERGY  
RUCPDOG/DEPT OF COMMERCE  
RUEATRS/DEPT OF TREASURY  
RUMIAAAA/HQ USSOUTHCOM MIAMI FL

C O N F I D E N T I A L CARACAS 000891

SIPDIS

ENERGY FOR ALOCKWOOD AND LEINSTEIN, DOE/EIA FOR MCLINE  
HQ SOUTHCOM ALSO FOR POLAD  
TREASURY FOR RJARPE  
COMMERCE FOR 4332/MAC/WH/JLAO  
NSC FOR RKING

E.O. 12958: DECL: 07/13/2019

TAGS: [EPET](#) [EINV](#) [ENRG](#) [ECON](#) [VE](#)

SUBJECT: PDVSA EXPROPRIATES REMAINING TIDEWATER VESSELS

REF: A. CARACAS 581

[1](#)B. CARACAS 592

[1](#)C. CARACAS 707

Classified By: Economic Counselor Darnall Steuart, for reasons  
1.4 (b) and (d).

[1](#)1. (C) Tidewater's remaining assets in Venezuela were verbally expropriated the weekend of July 11-12. According to Tidewater Country Representative, Mikael Jacob (strictly protect throughout), the U.S. oil services company had four boats supporting PDVSA's PetroSucre project (formerly ConocoPhillips, Corocoro project) in the Gulf of Paria. After PDVSA reneged on recent promises to pay outstanding arrears, Tidewater threatened to cease operations. PDVSA responded by seizing the vessels. As of July 13, only two of the four boats were in service; one was in dry dock and one was temporarily out of service. Other non-Venezuelan Tidewater entities bare-boat chartered the four vessels to Tidewater's Venezuela subsidiary, Semarca. The service craft are dual-flagged in Venezuela (temporary) and Vanuatu (permanent).

[1](#)2. (C) Jacob believes PDVSA will attempt to extend the May 8 Ministry of Energy and Petroleum expropriation resolution which named Tidewater/Semarca to include these assets. (NOTE: The resolution is unclear whether it relates to Semarca's Lake Maracaibo assets or all of Semarca's assets in Venezuela. END NOTE) If the PetroSucre expropriation is retroactive to May 7, PDVSA likely will deny any costs associated with the vessels incurred by Tidewater/Semarca over the last month. PDVSA has not yet made a compensation offer to Tidewater for any of the expropriated assets. According to Jacob, with the remainder of its Venezuelan assets now expropriated, Tidewater is likely to file an international arbitration claim against the GBRV in the near future. According to Jacob, PDVSA owes \$12 million in arrears to Tidewater for the PetroSucre project. A rough estimate of the fair market value for the boats is \$7-10 million. This must now be added to the value of the

Tidewater/Semarca Maracaibo base and the eleven boats expropriated in western Venezuela, roughly estimated at \$15 million. At the time of the Lake Maracaibo expropriation, PDVSA owed Tidewater \$35 million in arrears for the PetroSucre and Lake Maracaibo contracts combined.

13. (C) COMMENT: PDVSA reacted quickly to Tidewater's threat to cease operations and may have acted before its lawyers had the opportunity to design a legal strategy for the expropriation. Furthermore, it is unlikely PDVSA realizes it expropriated boats that do not belong to Semarca, but rather, were chartered from other foreign Tidewater companies. Nevertheless, all of Tidewater's assets in Venezuela have been expropriated. Tidewater probably expected this reaction when it threatened to cease operations and might have designed this situation to clear the way for its international arbitration claim. END COMMENT.  
CAULFIELD